Pumped and Dumped

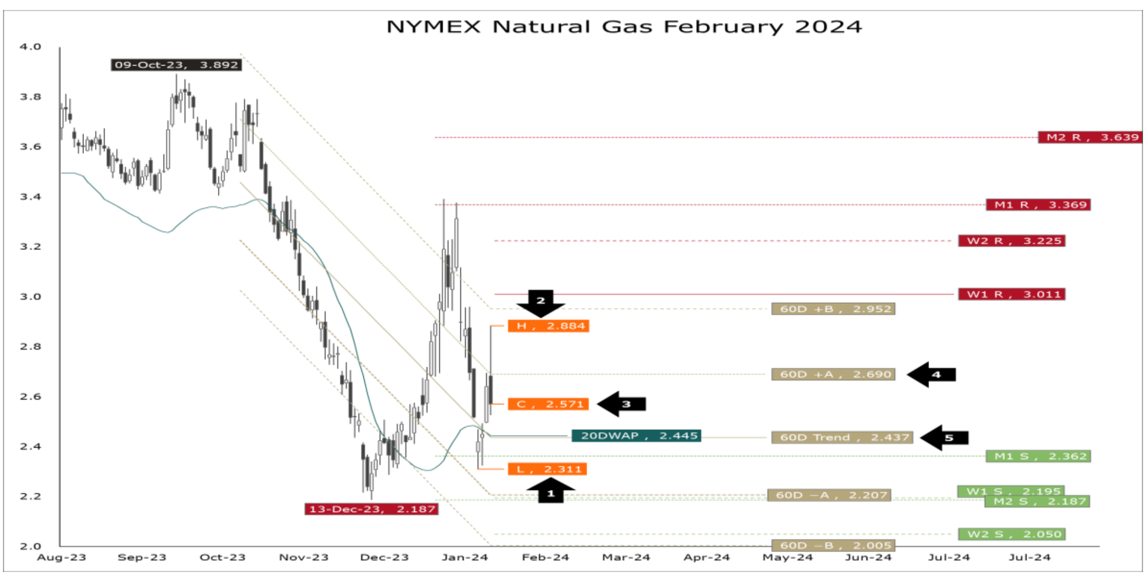
Before the MLK holiday weekend, gas traders pushed NYMEX gas higher as a severe polar vortex was bearing down on key markets throughout the Midwest and Northeast. After the holiday, traders sold the market as the polar vortex was quickly followed by a significant warm spell.

Over the past five days, the spot contract for February delivery bottomed at \$2.311 per MMBtu (arrow 1), peaked today at \$2.884 (arrow 2) and then plunged in a post-EIA retch to a \$2.571 per MMBtu close. The market remains entrenched in the 60-day bearish channel, from the upper innermost limit of \$2.690 (arrow 4) and the \$2.437 trendline (arrow 5).

Our two favorite technical indicators—*Parabolic SAR and MACD*—are now bearish. Therefore, we will switch our bias from neutral to bearish.

Looking ahead to next Thursday (February 01st) we will switch to the March 2024 contract. The trend in the bearish channel is \$2.017. Our upper limits in the channel are \$2.171, and \$2.324. Our lower limits are \$1.880, and \$1.755.

Furthermore, our support targets for the week are \$1.965, \$1.878, \$1.629, and \$1.120. Our resistance targets are \$2.419, \$2.530, \$2.917, and \$4.244.



L48 storage… EIA delivers a whopper!

As expected, (given last week's polar vortex) today's EIA update on L48 underground storage was a big one. For the week ended January 19th, a total of 326 Bcf of natural gas was withdrawn from storage. This is only one of a handful of times that the market experienced a delivery greater than 300 Bcf. Next week's delivery will again be strong. The typical withdrawal is 168 ± 42 Bcf. The mean of the early consensus is around 200 Bcf.

